Union Budget 2015-16

A well-balanced act

The Union Budget 2015-16 is a good effort to rejuvenate and revive the economy. Though there are no big-bang reforms as was expected by some sections of the market, the finance minister has managed to meet the key expectation of a substantial increase in the allocation (up by 0.5% of the GDP) for capital spending in the infrastructure segments, namely roads, railways and irrigation. We view this as the biggest positive of the budget (which is also in sync with the higher capital spending envisaged by the railway minister in the rail budget earlier) since it is essential to revive industrial activity and investment cycle, and put the economy on a virtuous growth cycle.

On the other hand, the target to achieve a fiscal deficit of 3% of the GDP by FY2017 has instead been extended by one year to FY2018 which is negative in terms of influencing the pace of monetary easing by the RBI. However, it needs to be viewed in the light of the fact that the finance minister had limited fiscal space. Budget net tax revenues are increasing by a tepid 1.4% due to a surge of ~50% in the share of the revenue kitty to be transferred to the state governments as per the Finance Commission's recommendations.

Overall, it is a well balanced budget with focus on boosting economic growth through higher capital spending, easing regulations for businesses and attracting private participation. At the same time, the allocations for the social schemes have been either retained or increased in some cases including NREGA. New proposals have been suggested to widen the social security net through schemes to provide health insurance, life insurance and pension schemes at nominal rates. Keeping with the tradition, the finance minister has also outlined the long-term policy priorities of the Narendra Modi government that encompass housing, power and water for all by the 75th year of India's independence, ie 2022.

From the capital market perspective, the budget is positive in terms of favourable tax proposals related to the removal of tax on offshore funds managed from India and clarity on GAAR, which has been postponed by two years and would be effective for prospective transactions. The budget also proposes measures to increase financial savings through gold monetisation products and tax-free bonds aimed at funding capital investments in the railways, roads and other infrastructure projects. On the flip side, the higher effective tax rate (an effective tax rate of 34.6% with levy of additional surcharge) for corporates in FY2016 could marginally bring down the consensus earnings estimates for FY2015-16.

View and preferred sectors: We retain our constructive view on the equity market. Within sectors we continue to prefer the early gainers of an economic revival (auto, banks & financials, logistics), better policy environment (engineering, construction, railway, defence) and urban discretionary consumption (media and travel among others). **In line with this our preferred stock picks are Larsen and Toubro, IRB Infrastructure Developers, Bharat Electronics, Axis Bank, Thomas Cook India, Century Plyboards and Yes Bank.**

Key budget data Rs '00 cr

Particulars	FY10	FY11	FY12	FY13	FY14	FY15RE	FY16BE
Gross tax revenues	6,245	7,931	8,892	10,362	11,387	12,514	14,495
% change YoY	*3.2*	*27.0*	*12.1*	*16.5*	*9.9*	*9.9*	*15.8*
Net tax revenues	4,565	5,699	6,298	7,403	8,159	9,085	9,198
% change YoY	*3.0*	*24.8*	*10.5*	*17.5*	*10.2*	*11.4*	*1.3*
Non tax revenues	1,163	2,186	1,217	1,374	1,989	2,178	2,217
Total expenditure	10,245	11,973	13,044	14,104	15,872	16,812	17,775
% change YoY	*15.9*	*16.9*	*8.9*	*8.1*	*12.5*	*5.9*	*5.7*
Plan exp	3,034	3,790	4,124	4,136	5,539	5,690	6,005
% change YoY	*10.2*	*24.9*	*8.8*	*0.3*	*33.9*	*2.7*	*5.5*
Non plan exp	7,211	8,183	8,920	9,967	10,333	11,122	11,769
% change YoY	*18.5*	*13.5*	*9.0*	*11.7*	*3.7*	*7.6*	*5.8*
Fiscal deficit	4,185	3,736	5,160	4,906	5,306	5,126	5,556
as % of GDP	*6.5*	*4.8*	*5.7*	*4.9*	*4.7*	*4.1*	*3.9*
Revenue deficit	3,390	2,523	3,943	3,659	3,848	3,625	3,945
as % of GDP	*5.2*	*3.2*	*4.4*	*3.6*	*3.4*	*2.9*	*2.8*
Primary deficit	2,054	1,396	2,428	1,774	1,564	1,013	995
as % of GDP	*3.2*	*1.8*	*2.7*	*1.8*	*1.4*	*0.8*	*0.7*

Key proposals

- Effective framework for dealing with black money in overseas and domestic economy; move towards incentivising cashless transactions
- Stepping up central spending on the infrastructure sector by Rs70,000 crore, excise on fuel to be utilised for road and highway development; tax-free infrastructure bonds and revitalisation of the public-private partnership (PPP) model
- Roll-over of fiscal consolidation target of 3% of the gross domestic product (GDP) from FY2017 to FY2018 to enhance capital spending
- To launch five Ultra Mega Power Projects (UMPPs) in "Plug and Play Mode" and similar schemes for the other infrastructure segments
- Rationalisation of subsidies by expansion of the Direct Benefit Transfer (DBT) scheme, plugging leakages
- Focus on rural infrastructure (roads, irrigation) by allocating Rs25,000 crore to Rural Infrastructure Development Fund (RIDF) and Rs15,000 crore to National Bank for Agriculture and Rural Development (NABARD)
- Boost to micro, small and medium enterprises (MSME) sector by creating MUDRA (Micro Units Development Refinance Agency) Bank with a corpus of Rs20,000 crore and a credit guarantee of Rs3,000 crore
- Comprehensive Bankruptcy Code for ease of doing business and pre-existing regulatory mechanism to replace multiple approvals
- Measures for financial markets like creation of Monetary Policy Commission, a public debt management agency and merger of Forward Markets Commission with the Securities and Exchange Board of India
- Management agency, Autonomous Banks' Board Bureau for public banks, India Financial Code etc
- Monetisation of gold and promoting financial savings and financial inclusion
- Distinction between different types of foreign investments (ie foreign portfolio investment [FPI] and foreign direct investment [FDI]) eased
- Disinvestment of public sector enterprises (including the loss-making ones)

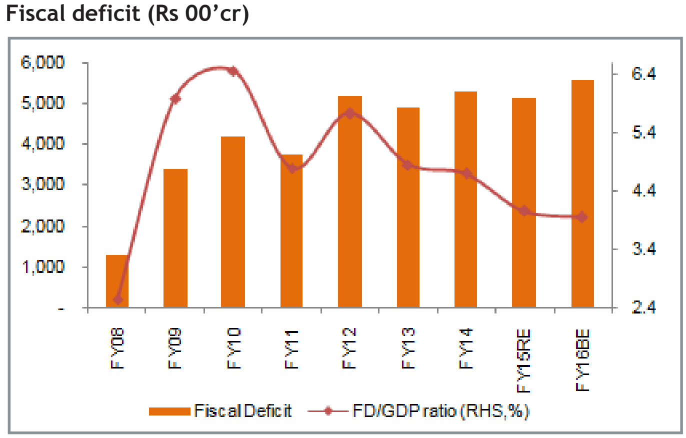
Key tax proposals

- Postponement of General Anti-Avoidance Rules (GAAR) by two years, to be implemented on a prospective basis
- Corporate tax to be reduced to 25% from 30% over the next four years in a phased manner (starting from FY2017), though exemptions have been done away with
- Relief on individual taxes by raising exemption on travel allowance and higher deductibility for health insurance and pension schemes
- Effective service tax raised to 14% (from 12.36%); excise duty hiked to 12.5% from 12.36%; these rates would be increased further in line with the implementation of the Goods and Services Tax (GST); provision made to add further levy under the Swatchh Bharat campaign
- Wealth tax abolished and replaced with a surcharge of 2% on annual income of above Rs1 crore

Fiscal deficit targets tweaked to prop-up growth

The government in all fairness has tried to strike a balance between the medium-term fiscal goals and the need to boost public spending on infrastructure. Therefore, it has slightly rolled over the fiscal deficit target to 3.9, 3.6% and 3.0% of the GDP for FY2016, FY2017 and FY2018 respectively instead of 3.6% and 3.0% for FY2016 and FY2017 respectively to accommodate infrastructure spending. Since the investment cycle remains sluggish and the private sector does not have enough appetite to invest, the onus lies on the government to revive the investment cycle. The government is also keen to rationalise the subsidies by plugging the leakages (expansion of the DBT scheme, review of entitlements) and effective transmission.

Fiscal deficit (Rs 00'cr)

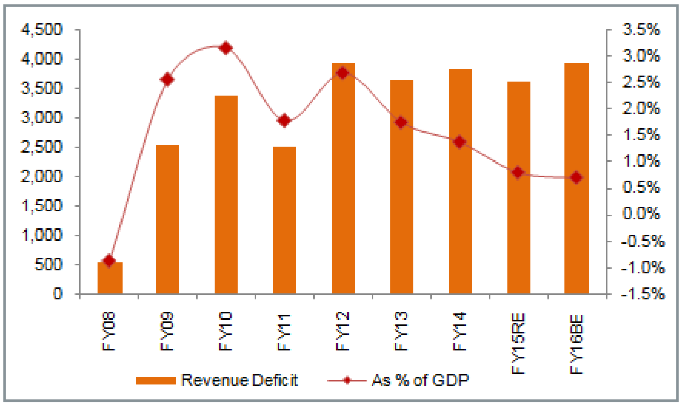


Source: India budget

Focus on revenue mobilisation, rationalisation of corporate tax

The budget has built in a 16% growth in tax revenues for FY2016 compared with a 10% growth in FY2015 (revised estimate [RE]). The tax/GDP ratio has dropped to 9.9% in FY2015 and it may increase to 10.3% in FY2016, as per the government's estimates. The government is building in a jump of about 25% in the excise and service tax revenues (by raising the service tax and excise rates) depending on the extent of the recovery in the economy. In an attempt to simplify corporate taxation, the government plans to reduce the rate of corporate tax from 30% to 25% in a phased manner, though it is doing away with exemptions. On the other hand, the divestment targets have been raised to Rs69,500 crore for FY2016 (against an RE of Rs31,350 crore for FY2015). The government expects to implement the GST in FY2017 which should enhance the tax/GDP ratio.

Revenue deficit (Rs 00'cr)

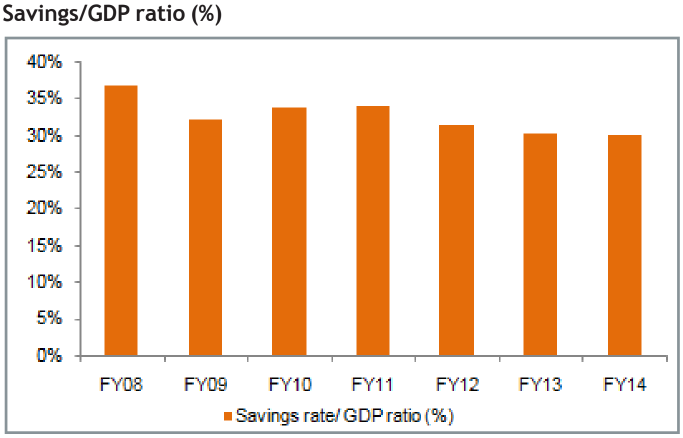


Source: India budget

Infrastructure spending gets priority

The budget is very clear on increasing the spending on infrastructure (it has raised spending by 0.5% of the GDP). In fact, this will add to the economic growth. Among the steps taken in the budget are the plans to raise the central infrastructure spending by Rs70,000 crore and issue tax-free infrastructure bonds. In addition, the devolution of revenues from centre to states (as per the Finance Commission's recommendations) would also give enough resources to state governments for capital spending. Going ahead, reviving stalled projects and increasing spending in sectors like housing, railways and road projects are likely since these sectors and industries have a shorter turn-around time, add to the GDP and create jobs.

Savings/GDP ratio (%)



Source: India budget

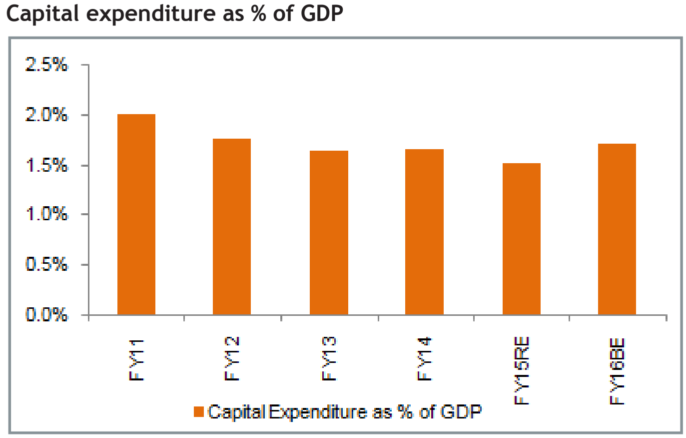
Thrust on attracting foreign investment and "Make in India" initiative

Ease of doing business and facilitating foreign investment have been the key areas addressed in the budget. In case of foreign investors, the government will do away with the distinction between FPI and FDI, and ease investment in alternate assets. To signal a non-adversarial tax regime the government has tried to simplify taxation and deferred the implementation of GAAR (with prospective effect). To promote manufacturing an expert committee has been planned. The committee would prepare draft legislations that will do away with multiple approval process and attract investments.

Financial sector reforms on anvil

In the budget, the finance minister has stressed on the formation of an institutional framework to deal with the challenges in the financial sector. He has announced the creation of a Monetary Policy Committee with the Reserve Bank of India (RBI) to contain inflation below 6% levels. This will help in achieving better coordination between the central bank and the government. The government also plans bankruptcy laws and the creation of Autonomous Banks' Board Bureau to deal with governance and asset quality issues in banks. Recently the government approved the new process for selection of chiefs at the public sector banks. However, there is no adequate clarity on capital infusion in these banks (Rs7,900 crore is too little compared with the requirement), which would otherwise struggle to lend in the recovery cycle.

Capital expenditure as % of GDP

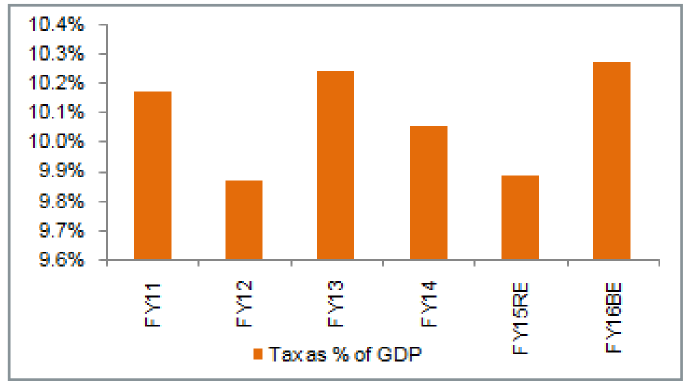


Source: India budget

Financial inclusion, tax incentives to boost savings rate

After being fairly successful with the prime minister's Jan Dhan Yojna, the budget emphasises the need to increase financial inclusion which would bring multiple benefits to the economy. The government plans to encourage debit and credit card transactions, direct subsidy transfer, investment in financial assets (vs physical assets) and financing from the organised sector. The budget also continues with the tax benefits on savings schemes and enhances the deduction in health insurance and pension products which will together boost savings in the economy. The savings rate had dropped significantly in the past few years and the government plans to raise it to 36% of the GDP.

Tax as % of GDP



Source: India budget

Personal tax

Tax slabs, the surcharge and education cess remain unchanged. However, with a view to increasing the tax contribution of the super rich, an additional surcharge of 2% has been levied.

Continuing the last year's relief for individual tax payers, the finance minister has announced further exemptions and deductions to boost savings.

- Investments made in the Sukanya Samriddhi Scheme will be eligible for **deduction** under section 80C of the Income Tax Act. Further, interest accruing on deposits in such accounts will be **exempt** from income tax. The withdrawal from the scheme in accordance with the rules will also be tax exempt. This deduction under section 80C is amended to provide for deposits during the year by the parent or legal guardian in the name of any girl child of the individual parent or guardian. These amendments will take effect retrospectively from April 1, 2014.
- Deductions under section 80D in relation to health insurance premium increased from Rs15,000 to Rs25,000. The deduction has been further enhanced for senior citizens from Rs20,000 to Rs30,000. Further, every senior citizen above the age of 80 years who is not covered by health insurance will be allowed deduction of Rs30,000 towards medical expenditure.
- The limit for differently abled persons under section 80DD is enhanced to Rs80,000.
- Deductions under section 80CCC limit on deduction on account of contribution to a pension fund and the new pension scheme increased from Rs1 lakh to Rs1.5 lakh.
- Additional deduction under section 80CCD of Rs50,000 for contribution to the new pension scheme under section 80CCD.
- Transport allowance exemption is being increased from Rs800 to Rs1,600 per month.
- The total personal tax benefit is envisaged over Rs4 lakh.

Sections	Tax deductions	Amount (Rs)
Deduction u/s 80C, 80CCC	Contribution to life insurance, saving instruments etc	150,000
Deduction u/s 80CCD	Contribution to new pension scheme	50,000
Deduction u/s 24B on account of house property	Interest on house property loan (self-occupied property)	200,000
Deduction u/s 80D	On health insurance premium	25,000
Exemption u/s 10	Transport allowance	19,200
Total benefit		**444,200**

FY2015-16	
Tax slabs	**Tax rate #**
(Rs)	**(%)**
Up to 250,000	Nil
250,001-500,000	10.3
500,001-1,000,000	20.3
Above 1,000,000	30.9

including education cess on income tax, and secondary and higher education cess on income tax at the rate of 2% and 1% respectively plus 10% surcharge on income upto Rs1 crore and 12% surcharge on income exceeding Rs1 crore

Impact of increase in excise duty on cigarettes on ITC

Excise duty increase on Cigarettes in Union Budget 2015-16

Budget document 2015-16					Volume contribution for ITC	Weighted average excise hike for ITC
		Rs per 1,000 cigarettes				
Size	Item	2014-15	2015-16	% chg		
Small	Cigarettes filter > 60 =<65mm	1,150.0	1,437.5	25.0%	13%	
Regulars	Cigarettes filter > 65 =<70mm	1,650.0	1,897.5	15.0%	67%	
Longs	Cigarettes filter > 70 =<75mm	2,250.0	2,587.5	15.0%	5%	15.8%
Kings	Cigarettes filter > 75 =<85mm	3,290.0	3,783.5	15.0%	16%	

- In Union Budget 2015-16 the government has increased the excise duty on cigarettes by 25% for less than 65mm cigarettes and by 15% for the other categories. This is the fourth consecutive year of above 15% increase in excise duty on cigarettes.
- For ITC the weighted average excise duty hike stands at about 16%. ITC has to take another hike of 17-18% in the cigarette portfolio to increase the earnings before interest and tax by 15%. This will put more pressure on the cigarette sales volume.
- We believe ITC's cigarette sales volume would decline by 6% in FY2016 (we had earlier factored in a 4% sales volume decline). We also expect the cigarette sales volume to remain flat in FY2017. This will result in a decline in the earnings estimates for FY2016 and FY2017 by 1% and 3% respectively (we expect the Street to downgrade the earnings estimate for FY2016 by 2-3%).
- The stock has already corrected by 8% after the mid-teen excise duty hike in the Union Budget. Going ahead, the key monitorables will be the value-added tax rate hike on cigarettes in the budget of the key states and implementation of any anti-tobacco law in the coming months. We advise investors to buy ITC on further correction in the stock price.

Sectoral analysis

Sector	Key announcements	Overall impact	Key companies to be affected
	Budget impact: Positive (especially for CVs) **Sector view: Remain positive (preferred picks: Maruti, M&M, Ashok Leyland)**		
Auto & auto ancillary	Basic customs duty on CVs increased from 10% to 40%; however, import of CVs is limited, hence no large benefit expected on this account	Positive	Tata Motors, Ashok Leyland
	Concessional excise duty of 6% and nil basic customs duty on goods for use in manufacture of electric and hybrid vehicles extended by a year till March 31, 2016	Positive	Mahindra & Mahindra
	Excise duty on chassis for ambulance reduced from 24% to 12.5%	Positive	Force Motors
	Basic customs duty on styrene monomer reduced from 2.5% to 2%	Positive	Styrolution ABS
	Budget impact: Positive **Sector view: Neutral (preferred picks: UPL, Dhanuka Agri)**		
Agri-inputs	Increase in subsidy allocation to complex fertilisers (up 9% YoY) whereby fertiliser subsidy increased by 3% compared with last year	Positive	Coromandel Fertilisers, Tata Chemicals, GSFC
	Decrease in custom duty on sulphuric acid from 7.5% to 5%	Positive	Rama Phosphate
	Rs5,300 crore to support micro irrigation and watershed development	Positive	Jain Irrigation, Finolex Industries

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Sectoral analysis

Sector	Key announcements	Overall impact	Key companies to be affected
	Budget impact: Positive **Sector view: Remain positive (preferred picks: Axis Bank, Yes Bank, SBI, PFS, Capital First)**		
Banks	Distinction between foreign investment (FII and FDI) eased, which raises scope for investment in private banks	Positive	Axis Bank, Yes Bank
	Encouragement of debit and credit card transactions will benefit banks having higher cards transactions	Positive	ICICI Bank, SBI, Axis Bank, HDFC Bank
	Capital infusion of Rs7,940 crore in public banks much lower than required and negative for capital-starved banks	Negative	IDBI Bank, BoI, Union Bank
	Increase in fiscal deficit targets could increase bond yields and may influence RBI on rate cuts	Negative	Mainly public banks like PNB, BoI
	Creation of Autonomous Banks' Board Bureau for public banks and Bankruptcy Code will improve governance in long term	Positive	All public banks
NBFCs	NBFCs above Rs500 crore to be considered for SARFAESI Act which will enhance NPA recoveries	Positive	Bajaj Finance, Capital First, Mahindra Finance
	Deduction for health insurance premium exemption limit raised to Rs25,000 from Rs15,000; to benefit insurers	Positive	Max India, Bajaj Finserv
	House for all scheme (2 crore houses in urban and 4 crore house in rural areas)	Positive	LIC Housing, HDFC, Can Fin Homes
	Allocation of Rs20,000 crore for Mudra Bank to refinance micro-finance companies	Positive	SKS Microfinance
	Issue of tax-free infrastructure bonds will facilitate fund mobilisation for IFCs	Positive	PTC India Financial Services, PFC, REC
	Budget impact: Positive **Sector view: Selectively positive (preferred picks: L&T, Crompton Greaves, Finolex Cables)**		
Capital goods	Additional depreciation of 20% of the cost of new plant or machinery acquired and installed allowed; effective from April 1, 2016	Positive	L&T, BHEL, Thermax
	Plans to set up 5 new Ultra Mega Power Projects, each of 4,000MW, in the Plug-and-Play mode; business potential for power equipment companies	Positive	L&T, BHEL, Thermax
	Electrification of the remaining 20,000 villages including off-grid Solar Power by 2020	Positive	L&T, Kalpataru Power Transmission, KEC International, Power Grid, REC
	Excise duty on inputs for use in the manufacture of LED drivers and MCPCB for LED lights, fixtures and lamps is being reduced from 12% to 6%	Positive	Crompton Greaves, Havells, Surya Roshni, Eveready
	Excise duty cut from 4% to nil on inputs for use in the manufacture of LED drivers and MCPCB for LED lights, fixtures and LED lamps		
	SAD on inputs for use in the manufacture of LED lights, fixtures and lamps is being fully exempted		
	Customs duty on HDPE for use in the manufacture of telecommunications grade optical fibre cables reduced from 7.5% to nil	Positive	Finolex Cables, Sterlite Tech

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Sectoral analysis

Sector	Key announcements	Overall impact	Key companies to be affected
Renewable energy	Revised target of renewable energy capacity to 175,000MW till 2022, comprising 100,000MW solar, 60,000MW wind, 10,000MW biomass and 5,000MW small hydro Excise duty on pig iron and ferro-silicon-magnesium for manufacture of cast components of wind power generator is being fully exempted Excise duty structure reduced to nil without CENVAT credit or 12.5% with credit for solar water heater and system Excise duty on some components for manufacture of solar PV cells is being fully exempted Basic customs duty is fully exempted on evacuated tubes (used in the manufacture of solar water heater) and reduced to 5% on active energy controller (used in the manufacture of renewable power systems)	Positive	Suzlon Energy, PTC India Financial Services, Ujaas Energy, Swelect Energy
	Budget impact: Positive **Sector view: Neutral (preferred picks UltraTech, Mangalam Cement and JK Lakshmi)**		
Cement & cement products	Increase in infrastructure spending by Rs70,000 crore and special incentive for Andhra Pradesh and Telangana to promote industrialisation and economic in both states	Positive	The Ramco Cements, India Cements, UltraTech
	Excise duty hike and increase in cess of clean energy on coal from Rs100 to Rs300 per tonne to lead to around 2% increase in cost of cement production	Marginal negative	
	Building of 2 lakh rural and 4 lakh urban homes over 5 years	Positive	Everest Industries, HIL, Ramco Industries
	Budget impact: Marginally negative **Sector view: Selective (preferred picks: Marico, Buy ITC on dips)**		
Consumer goods	Excise duty on cigarettes less than 65mm increased by 25% and for other segments increased by 15%	Negative	For ITC weighted average excise duty hike stands at 16% It has to take 17-18% price hike to maintain the profitability which will affect the sales volume **View:** ITC's estimates are expected to decline by 2-3% for FY2016 and FY2017 The stock has corrected by 8% and any further correction should be considered as a buying opportunity

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Sectoral analysis

Sector	Key announcements	Overall impact	Key companies to be affected
	Increase in allocation of schemes such as Rural Infrastructure Development Fund, NREGA and other schemes	Positive	Increased allocation for rural development schemes is positive for all FMCG companies having presence in rural India, such as HUL, Jyothy Laboratories, GCPL and Marico
	Excise duty of 6% (2% without CENVAT credit) levied on condensed milk and peanut butter	Selective	Marginal impact on companies such as Nestle and AgroTech Foods
	Excise duty on aerated water and mineral water increased to 18% from 12% earlier (containing sugar and other minerals)	Negative	Tata Global Beverages **View:** Neutral with a negative bias
	Budget Impact: Positive **Sector view: Positive (preferred picks: Thomas Cook India, Cox & Kings, Century Plyboards, Relaxo)**		
Consumer discretionary services	**Travel services:** 150 countries will be included in a phased manner in the Visa-On-Arrival scheme (increase from 43 countries currently)	Positive	Though increase in service tax is marginally negative, the inclusion of more countries in the Visa-On-Arrival scheme is long-term positive for Thomas Cook India and Cox & Kings **View:** Retain Buy on Thomas Cook and Cox & Kings
	Amusement park: Service tax of 14% levied on access to the amusement parks	Negative	This will result in an increase in entry ticket prices This is negative for companies such as Wonderla Holidays and Adlabs Imagica
	Restaurant: Service tax increased from 12.36% to 14%	Negative	Speciality Restaurants, Jubilant FoodWorks and other restaurant companies
	Building materials: Goods and Service Tax (GST) to be implemented from FY2016 1) Housing for all: 2 crore houses in urban areas and 4 crore houses in rural areas	Positive	Cera Sanitaryware, Greenply, Somany Ceramics, Kajaria Ceramics, HSIL
	Footwear: Excise duty on leather footwear of retail sale price of more than Rs1,000 per pair is being reduced from 12% to 6%	Positive	Bata India, Liberty Footwear and Relaxo Footwear
	Jewellery: Gold monetisation scheme to replace metal loans	Positive	Positive for jewellery players like Titan

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Sectoral analysis

Sector	Key announcements	Overall impact	Key companies to be affected
	Budget Impact: Positive **Sector view: Remain positive (preferred picks: L&T, BEL)**		
Defence	Capital outlay for defence raised by Rs24,000 crore over interim budget to Rs2.47 lakh crore (up 10% YoY)	Positive	L&T, Bharat Electronics, Bharat Forge, BEML
	More focus on “Make in India” initiative is big positive for defence companies	Positive	
	Budget impact: Positive **Sector view: Positive (preferred picks: L&T, Va Tech Wabag, IRB Infra, Pratibha Industries)**		
Infrastructure (EPC)	Investment in infrastructure will go up by Rs70,000 crore for FY2016 National Investment and Infrastructure Fund to be established with an annual flow of Rs20,000 crore Tax-free infrastructure bonds for the projects in the rail, road and irrigation sectors PPP mode of infrastructure development to be revisited and revitalised 5 new Ultra Mega Power Projects, each of 4,000MW, in the Plug-and-Play mode	Positive	L&T, Gayatri Projects, Pratibha Industries, Punj Lloyd, KNR Construction, J Kumar Infraprojects
	Service tax exemption to construction, erection, commissioning or installation of original works pertaining to an airport or port withdrawn	Negative	GMR Infrastructure, GVK Infraprojects, HDIL
Construction (road sector)	Outlays on road sector to be increased by Rs14,031 crore Sum of Rs40,000 crore through road cess (conversion of excise duty on petrol and diesel to the extent of Rs4 per litre) to fund investments in road and other infrastructure Completion of 1 lakh km under construction projects and sanctioning and building of another 1 lakh km	Positive	IRB Infrastructure, ITNL, Ashoka Buildcon, Sadbhav Engineering
Water	Services by common affluent treatment plant exempt from service tax 100% deduction for contributions to Swachh Bharat Kosh and Clean Ganga Fund	Positive	Va Tech Wabag
	Budget impact: Neutral **Sector view: Positive, GST implementation in 2016 is directionally positive for sector** **Preferred pick: ZEE Entertainment**		
Media & entertainment	Implementation of GST on track, to come into effect from April 2016	Positive	Dish TV Network, Eros International, PVR among others
	Service tax plus education cess increased to 14% from 12.36% to facilitate transition to GST	Marginally negative	Negative for Dish TV, Hathway, Den Network

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Sectoral analysis

Sector	Key announcements	Overall impact	Key companies to be affected
	Overall Budget impact: Neutral (no direct benefit to pharma cos but positive for healthcare as a whole) **Sector view: Neutral; recommend going selective (preferred picks: Aurobindo Pharma, Glenmark Pharma, Sun Pharma)**		
Pharmaceuticals	Rate of income tax on royalty and fees for technical services reduced from 25% to 10% (plus applicable surcharge) to facilitate technology inflow for Indian companies as well as non-resident companies	Positive	Cipla, Lupin, Sun Pharma, Glenmark Pharma; Pfizer GSK Pharma, Novartis
	Budget impact: Positive **Sector view: Negative**		
Real estate	Housing for all: 2 crore houses in urban areas and 4 crore houses in rural areas Rental income arising to REIT owning real estate property directly shall be exempt from April 1, 2016 REIT's sponsor would get benefit of concessional tax regime on offloading units under an initial offer on listing of units, similar to the sale of shares through an IPO	Positive	DLF, Unitech, HDIL, Puravankara, Ashiana Housing, Godrej Properties

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